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RC NOTES

NOVEMBER 95

NEWS ABOUT YOUR 457 DEFERRED COMPENSATION PLAN

BIG-NAME MUTUAL FUNDS AT RC

Six new funds now open, with four more on the way

RC participants can now invest in familiar mutual funds from Fidelity, Putnam, Gabelli and Lindner through the ICMA Retirement Trust. And in January RC will add even more funds from Fidelity, 20th Century and Vanguard. Each new Trust fund will have an SEC-registered mutual fund as its sole underlying investment.

You can transfer assets and change future allocations by calling the Automated Service Line at 1-800-669-7400.

As with all Trust funds, RC has undertaken a rigorous research and screening process to identify solid past performance, a promising future, and

SEE FUNDS, PAGE 4

THE MUTUAL FUND SERIES

AVAILABLE NOW!

TRUST NAME	INVESTS IN
Aggressive Growth	Putnam Voyager
Growth	Fidelity Blue Chip Growth
Growth and Income	Fidelity Growth & Income
Value	Gabelli Value
Flexible	Fidelity Puritan®
Income	Lindner Dividend

AVAILABLE IN JANUARY 1996

TRUST NAME	INVESTS IN
Momentum Growth	20th Century Ultra
Capital Appreciation	Fidelity Magellan®
Contrarian Growth	Fidelity Contrafund
Balanced	Vanguard Wellington

Join RC @ the Internet

You can visit us on the World Wide Web at http://www.icmarc.org

RC participants who use the Internet can now check daily share prices of the funds available through RC. You can also download other information about our services. RC has opened a home page on the World Wide Web at http://www.icmarc.org

The home page features information about the Retirement Corporation, 457 and 401 plans, retirement investing articles and links to other local governments and affiliated organizations around the world.

INVESTMENT STYLES IN YOUR PORTFOLIO

IN the MARKET

With the introduction of the new Mutual Fund Series, you'll be seeing and hearing more about investment styles such as small-cap growth, large-cap value, and income. A fund's investment style is its basic approach toward security selection and is an important factor in evaluating a fund.

The style should be compatible with an investor's goals and risk tolerance. Since growth and value are two of the most common equity style categories, we will describe the characteristics of these two styles and how they might impact an investment portfolio. Bear in mind that investment styles do not have to exist in a pure form and that there are many variations of these styles. In fact, a "blended" style that has some of both growth and value characteristics is quite common.

THE GROWTH STYLE

The word *growth*, in the context of investing, can be used to describe companies, stocks, or mutual funds, all of which are related to each other. Typically, a **growth**-style mutual

SEE STYLE, PAGE 2

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STYLE, FROM PAGE 2

fund will own **growth** stocks representing companies currently in an earnings **growth** phase. If corporate earnings begin to slow down or reverse, however, that company and its stock may no longer be considered to represent a growth opportunity.

In order for a stock to be considered a growth stock it has to satisfy at least some of the traditional growth stock criteria. A growth stock represents a company whose **earnings are expected to grow faster** than the average growth of the stock market itself. "Earnings" in this case usually refers to profits of the corporation, on a per share basis; however, it can also refer to growth in business volume, sales, or gross revenues of the company.

Now that we've seen how a growth style is defined, we can take a look at some characteristics of the growth style.

There's a fund type to match every style

High-Priced

Since the earnings of a growth stock are expected to grow faster than those of an average stock, investors are usually willing to pay a premium for it. Therefore, growth stocks are expensive relative to the rest of the market. A measure of the relative cost of a security can be expressed as a ratio of price to earnings on a per share basis, or "P/E ratio." (See sidebar on page 3.)

Low Dividend Yield

Fast-growing companies need money to pay for expansion and typically reinvest any excess earnings in their own operations. As a result, the dividends paid by most growth companies are usually below the market average.

Relatively High Volatility

All stocks are vulnerable to changes in investor psychology, but none more so than growth stocks. Since investors pay a premium for growth stocks based on projected earnings expectations, failure of companies to deliver these earnings expectations can cause negative market response. On the positive side, when growth companies meet or exceed earnings expectations, they can outperform the market.

THE VALUE STYLE

The word *value*, like the word *growth* can be used to describe companies, stocks, or mutual funds. However, the value style of investing is not the opposite of the growth style, but rather a different investment approach. Value, as a term used in the financial markets, means that the market does not recognize the true potential of a company and its assets (sometimes referred to as its "intrinsic value.")

The typical definition of a value stock is that it is low-priced in relation to a specific measure of value or "yardstick." It could be low-priced in relation to earnings, to dividends, to cash flow, or to some other fundamental fact that impacts its worth in the marketplace.

Value situations exist when companies experience a management change, an entire industry falls out of favor, or earnings projections fall short. Sometimes such bad news may warrant a drop in the price of the stock; sometimes, however, it does not. That is where the concept of value comes into play.

What are the characteristic by-products of a value stock?

Low-Priced

Because the company underlying a value stock is perceived to be out of favor for some reason, its price relative to earnings, dividends, total asset value, or the

market as a whole is usually low and can be interpreted as one of the signs of a value stock.

High Dividend Yield

A stock's dividend yield is calculated by dividing its annual cash dividend by its price. A stock whose price is recently depressed will usually have an abnormally high dividend yield, all other things being equal. An increase in dividend yield caused by a price decline can be interpreted as a clue that the stock is undervalued.

Varying Volatility

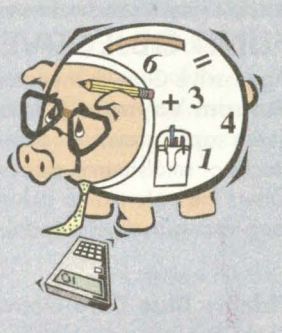
Although the volatility of value stocks varies, it is generally lower than the market average. The fact that prices are already low means they usually do not have as far to drop in a downturn. In addition, the dividend cushion acts as another potential insulating factor — cash dividends always contribute positively to total return, reducing the overall loss if stock prices fall. This can help smooth out peaks and valleys in an investment portfolio.

USING STYLE IN YOUR RETIREMENT PORTFOLIO

In the end, the decision to invest in either growth or value types of funds is very personal. Much of that decision depends on your individual investment objectives and unique situation, including your time horizon and risk tolerance.

Whichever way you decide to go, RC is ready with high-quality equity offerings to suit your personal investing style, either "off-the-rack" through our Model Portfolio program or custom-tailored, by building a unique portfolio suited specifically to your goals and risk tolerance.

The P/E Ratio



One of the most useful measures to apply when comparing equity investment opportunities is the Price/Earnings ratio, or P/E ratio. The following hypothetical example illustrates how to use P/E ratios to identify whether a stock has either growth or value characteristics, based on its price and earnings.

- If a company earns $4/share and is selling at $28/share, its P/E ratio is 7. (28 ÷ 4=7) This is also sometimes referred to as a stock's earnings multiple. If the P/E of the market was running at an average of 16-17, then this may be considered a **value** stock.

- If a company earns $4/share and is selling at $100/share, its PE ratio is 25. (100 ÷ 4=25) Given the market's multiple of 16-17, this has the characteristics of a **growth** stock.

Fund Update

CORE BOND FUND DIVERSIFIES WITH NEW MANAGER

On September 25, the RC Board Investment Committee approved a structural change to the Core Bond Fund.

The change was made to lower management fees and create a more diversified portfolio that more closely parallels the risk and return characteristics of the Lehman Aggregate Bond Index.

This index is the most widely used measure of activity in the fixed income markets and includes over 5,000 publicly issued corporate debt instruments, U.S. Government/ agency bonds, mortgage-backed and asset-backed securities.

Under the Core Bond Fund's new structure, investment management fees will be lower and the fund will have more exposure to all investment grade sectors of the market.

The subadvisers for the Core Bond Fund are as follows:

- John Hsu Capital Group, Inc., a manager who emphasizes top-down sector allocation decisions, identifying fundamental trends and sectors most likely to benefit from those trends.

- Seix Investment Advisors, a firm that specializes in adding value by identifying especially attractive segments of the bond market, while at the same time matching the interest rate sensitivity and risk of the Lehman Aggregate Bond Index.

- State Street Global Advisors, Inc., a firm that provides an enhanced index fund representative of the broad array of fixed-income sectors found in the Lehman Aggregate Bond Index.

FUND OBJECTIVES

Aggressive Growth invests in
Putnam Voyager (Class A)
Seeks rapid growth of capital through stocks of small-to-mid sized companies. Offers the potential to achieve high, long-term growth of capital.

Growth invests in
Fidelity Blue Chip Growth
Seeks capital appreciation over the long term with a diversified portfolio of common stocks of well-known and established companies. Offers the potential to achieve substantial long-term growth of capital.

Growth and Income invests in
Fidelity Growth & Income
Seeks a combination of long-term capital growth, current income and growth of income in companies expected to provide growth of earnings with some consideration given to those that pay current dividends.

Value invests in
Gabelli Value
Seeks long-term capital appreciation by investing primarily in equity securities of companies that are perceived to be selling at prices substantially below their intrinsic market value. Fund can be very concentrated by security or by industry.

Flexible invests in
Fidelity Puritan®
Seeks total return through earning high current income within a broadly diversified portfolio consisting primarily of high yielding stocks and bonds.

Income invests in **Lindner Dividend**
Seeks current income with capital appreciation as a secondary objective by investing primarily in common stocks, preferred or convertible preferred stocks, corporate bonds or other debt instruments.

THE FOLLOWING FUNDS WILL BE AVAILABLE JANUARY 1, 1996:

Momentum Growth invests in **20th Century Ultra Investors**
Seeks aggressive growth of capital through stocks considered to have greater than average prospects for growth.

Capital Appreciation invests in **Fidelity Magellan®**
Seeks capital appreciation through a diversified portfolio of equity securities with the potential for high long-term returns.

Contrarian Growth invests in **Fidelity Contrafund**
Seeks capital appreciation through out-of-favor and turnaround-type stocks with significant growth potential.

Balanced invests in **Vanguard Wellington**
Seeks conservation of principal, a reasonable income return, and profits without undue risk. Invests in a diversified portfolio of common stocks and bonds. By maintaining a balance among stocks and bonds, the fund is expected to provide lower investment risk over time than a fund invested exclusively in stocks.

Past Performance of the Mutual Funds

As of September 30, 1995

MUTUAL FUND SERIES NAME	YEAR TO DATE	ONE YEAR	THREE YEARS	FIVE YEARS	10 YEARS
Aggressive Growth **Putnam Voyager (Class A)**	31.2%	31.7%	21.1%	24.8%	19.7%
Growth **Fidelity Blue Chip Growth**	28.3%	28.9%	23.4%	25.8%	20.7%*
Growth and Income **Fidelity Growth & Income**	25.8%	24.5%	17.7%	21.1%	18.8%*
Value **Gabelli Value**	22.1%	18.8%	21.9%	19.3%	13.5%*
Flexible **Fidelity Puritan®**	16.5%	14.4%	14.5%	17.1%	13.5%
Income **Lindner Dividend**	18.7%	15.6%	11.1%	14.7%	12.5%
Earnings Momentum+ **20th Century Ultra Investors**	39.3%	41.8%	24.9%	29.4%	22.2%
Capital Appreciation+ **Fidelity Magellan®**	38.9%	37.6%	21.4%	23.0%	19.9%
Contrarian+ **Fidelity Contrafund**	34.1%	32.8%	21.0%	26.2%	20.9%
Balanced+ **Vanguard Wellington**	25.5%	23.9%	13.3%	15.4%	13.5%

*Some funds in operation less than 10 years. *Inception dates of those funds:* Fidelity Blue Chip Growth 12/87; Fidelity Growth & Income 12/85; Gabelli Value 9/89. +Available January 1, 1996

Performance depicted does not reflect fees charged by the Retirement Corporation, which include a standard annual plan administration fee of 0.90% and an annual Mutual Fund Services fee of 0.10%. For a detailed explanation of fees and expenses, see the enclosed *Retirement Investment Guide for the Mutual Fund Series.*.

FUNDS, FROM PAGE 1

a good fit with existing funds within the RC family. We've included a new *RC Investor* that describes how and why RC picked the funds. We've also included the *Retirement Investment Guide for the Mutual Fund Series.* Please read the *Guide* carefully before investing.

The "loads" or sales charges that some of these mutual funds carry are waived for RC participants.

The chart above offers the past performance of the underlying mutual funds. Remember that past performance is no guarantee of future results. Descriptions of the objectives of each of the funds are left.

Market Indices & Fund Benchmarks

As of September 30, 1995

	3RD QTR	1-YEAR	3-YEAR	5-YEAR	10-YEAR
EAFE (Europe, Australia and Far East Stock Index)	4.2%	5.8%	13.7%	10.7%	14.9%
RUSSELL 2000	9.9%	23.4%	19.0%	21.7%	12.8%
NASDAQ COMPOSITE	11.9%	37.5%	22.3%	26.1%	15.7%
WILSHIRE 5000 INDEX	9.1%	29.1%	15.8%	18.1%	15.4%
STANDARD & POOR'S 500 INDEX	8.0%	29.7%	15.0%	17.2%	16.0%
LEHMAN BROTHERS AGGREGATE	2.0%	14.1%	6.7%	9.7%	10.1%
MERRILL LYNCH 5-7 YEAR TREASURY INDEX	1.7%	13.7%	6.5%	10.1%	10.1%
50% S&P 500/50% LEHMAN INTERMED. GOV'T	4.7%	19.9%	10.2%	12.9%	12.8%
50% STIF/50% MERRILL LYNCH 1-3 YEAR TREAS.	1.5%	7.0%	4.5%	6.0%	7.1%
CONSUMER PRICE INDEX (Seasonally Adjusted)	0.4%	2.6%	2.8%	3.0%	3.6%

All indices except EAFE include reinvestment of dividend and interest income. All periods over one year are annualized.

Fund performance on this and the following pages for the funds of the ICMA Retirement Trust is depicted net of all applicable fees and expenses, except for the account maintenance fee.

Past performance is no guarantee of future results.

The accompanying chart offers benchmarks for the funds featured on this and the following fund review pages. The reviews offer summaries of third quarter fund performance for the funds available to RC 457 deferred compensation participants.

AGGRESSIVE OPPORTUNITIES FUND

The Aggressive Opportunities Fund opened for investment on August 3, 1995. Through September, the fund gained 5.7%, well ahead of the Russell 2000's 3.9% return. At 32 percent of assets, the fund's exposure to technology stocks was double that of the Russell 2000 and was the principal reason for the fund's greater performance.

Among the fund's top holdings with strong showings were LSI Logic, a microchip manufacturer, up 37%, Nike, up 22% and HFS Inc., an operator of lodging and real estate franchises, which gained 19%.

The fund is positioned at the highest end of the risk spectrum among the Trust's investment options. As such it is more suitable for investors with long-term horizons who are willing to tolerate sharp fluctuations in value.

Average Annual Returns

As of September 30, 1995

AUGUST—SEPT.	5.7%
SINCE INCEPTION	5.7%

Periods over one year are annualized
Inception date 8/95

INTERNATIONAL FUND

The foreign equity markets return of 4.2% as measured by the MSCI Europe, Asia and Far East Index (EAFE) was its most substantial quarterly advance in 1995. Despite country allocations that varied substantially from the EAFE Index, the International Fund mirrored its return, gaining 4.1%. The fund's holdings in Japan were significantly underweighted against the Index, (11.8 percent versus 40.8 percent) while its Latin American holdings were at seven percent allocation versus none for the Index.

The volatile dollar has also impacted fund performance. For instance, following weak six-month performance the Japanese equity market rebounded sharply in the third quarter, up 21% in local currency terms. However, the recent strength in the dollar against the yen reduced that return to only 4.5% in dollar terms.

In the United Kingdom, where economic recovery is ahead of most other European nations, the market fared well, rising 6.2% in U.S. dollars. The Fund's exposure to Latin America also helped, especially its allocation of 2.5 percent in Brazil which rose 14% over the quarter.

Average Annual Returns

As of September 30, 1995

THIRD QUARTER	4.1%
ONE YEAR	5.4%
SINCE INCEPTION	5.4%

Periods over one year are annualized
Inception date 10/94

GROWTH STOCK FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	11.0%
ONE YEAR	28.7%
THREE YEAR	15.6%
FIVE YEAR	17.5%
TEN YEAR	16.9%

Periods over one year are annualized

Strong corporate earnings reports, favorable interest rates and low inflation continued to drive major stock market averages to record highs in the third quarter. The Growth Stock Fund rose 11.0%, almost matching the technology-laden Nasdaq Composite's 11.9% return. The strong performance this year has placed the fund's five-year performance of 17.5% just ahead of the Morningstar growth manager median, up 17.4%.

The fund's broadly diversified portfolio in the technology sector contributed strong performance even though selected large technology stocks lagged. Stock prices of healthcare companies were lifted by steady earnings improvement and good 1996 earnings expectations. Financial services companies benefited from merger and takeover activity and increased trading profits. Together these three sectors represented 46 percent of fund assets. Notable examples within the fund's top 10 holdings were Citicorp, up 22%, Chase Manhattan Bank, up 31%, Foundation Health Corp., up 41%, and US Robotics Corp., up 56%. All the economic sectors in the fund posted positive returns ranging from 2.5% to 18.1%, although weak retail and building material stocks lagged the overall market.

BROAD MARKET INDEX FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	8.4%
ONE YEAR	27.8%
THREE YEAR	13.4%
FIVE YEAR	15.9%
SINCE INCEPTION	12.8%

Periods over one year are annualized
Inception date 11/88

For the third quarter the Broad Market Index Fund posted an 8.4% return relative to the Wilshire 5000 Index's 9.1% return. Before RC fees, the fund slightly underperformed the Index by returning 8.8%.

The third quarter marked the reversal of the trend established in the first and second quarter in which large capitalization stocks outperformed small-to mid-capitalization issues. The Russell Midcap Index and the Russell 2000 Index returned 8.9% and 9.9% respectively, which outpaced the larger capitalization S&P 500's 8.0% return. The Fund's exposure to small-and mid-cap issues enabled it to perform well against larger capitalization benchmarks like the S&P 500.

EQUITY INCOME FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	8.2%
ONE YEAR	23.2%
SINCE INCEPTION	18.3%

Inception date 4/94

The Equity Income Fund posted a quarterly 8.2% return, surpassing the S&P 500's 8.0%, and the Lipper Equity Income Index return of 7.2%. Most impressive is the fund's 23.2% 12-month return, which decidedly edges Lipper's 20.3% return. The fund's dividend yield was 4.1% compared to the S&P 500's 2.4%

The third quarter marked a change in the market as investors began to favor more stable companies as the economy slowed. Interest rates fell in anticipation that the Federal Reserve would cut rates in response to a slowing economy.

Relative to the S&P 500, the fund was overweighted in utilities, healthcare and financial services. Banks made up 12 percent of the fund and returned 15% for the quarter. Lower interest rates as well as the merger activity in the banking sector pushed these stock prices higher. The top performers in the fund were NationsBank, Wachovia Corp. and First Tennessee National Corp. up 26.0%, 22.0% and 20.7% respectively. The fund maintained a 13 percent weighting in healthcare stocks in comparison to the S&P's 9.5 percent. Further purchases of Merck, Baxter International and Upjohn during the quarter benefited the fund. Close to 20 percent of the fund is invested in the utility sector, with 12 percent in electric and 8 percent in telephones. For the quarter, electric utilities and telephones returned 7% and 15% respectively.

ASSET ALLOCATION FUND

The Asset Allocation Fund has participated significantly in both the rising bond and stock market rallies. The fund's third quarter and year-to-date return of 6.1% and 22.0% respectively compares favorably to the Lipper Flexible Portfolio Fund returns of 5.4% and 19.5%.

The fund ended the quarter with its most aggressive exposure to the bond and stock markets in over two years. Since the beginning of the year the stock allocation has risen from a low of 34 percent to a high of 75 percent. The opposite is true for cash, which has dropped from an allocation of 41 percent to its current level of 10 percent. For the year, the fund's bond allocation fluctuated between 10 and 25 percent. The changing direction of this allocation is in reaction to falling and rising bond yields. Although the cash allocation has been steadily declining, all allocations to this class in 1995 have been a hinderance to performance causing the fund to slightly underperform its 70%/30% benchmark quarterly return of 6.3%.

Average Annual Returns

As of September 30, 1995

THIRD QUARTER	6.1%
ONE YEAR	22.3%
THREE YEAR	10.5%
FIVE YEAR	13.1%
TEN YEAR	12.5%

Periods over one year are annualized

SOCIAL RESPONSIBILITY FUND

The Social Responsibility Fund was introduced to 457 participants in August 1995. In this two-month period, the fund gained 3.9%, well ahead of the benchmark's 3.0%. The fund divides assets equally between two mutual funds, each of which screens investments for both financial and social criteria.

The equity portfolio rose 6.1%, surpassing the S&P 500 Index's 4.5%. The telecommunications industry, which gained nearly 20% over the period, represented the portfolio's largest industry concentration. The portfolio is also highly exposed to technology and insurance stocks and thus profited by those industries' healthy above-market performance.

The bond portfolio rose 2.4%, outpacing the Lehman Intermediate Government Securities's 1.5% return. The fund benefited from its two-thirds allocation to corporate issues, which outperformed the market averages. In addition, the strong performance exhibited by the mortgage sector boosted returns as 29 percent of the portfolio's assets are allocated to that sector. There were no assets allocated to Treasuries because, as a consequence of government defense spending, they do not fall within the fund's social investment criteria.

Average Annual Returns

As of September 30, 1995

AUGUST—SEPTEMBER	3.9%
SINCE INCEPTION	3.9%

Periods over one year are annualized
Inception date 8/95

CORE BOND FUND

The Core Bond Fund returned 1.7% for the third quarter closely tracking the Lehman Brothers Aggregate Index, which returned 2.0% for the quarter.

When compared with the Lehman Aggregate Index, the fund remained underweighted in U.S. Government securities and mortgages. Government securities comprised 39 percent of the fund versus 54 percent for the Index, and mortgage securities comprised seven percent of the fund versus 28 percent for the Index. The underweighting of mortgage securities slowed performance relative to the Index somewhat during the quarter as this sector was one of the best performers with a return of 2.1%. The fund remained overweighted in corporate securities with an allocation of 43 percent versus 17 percent for the Index. This strategy enhanced performance relative to the Index as corporate securities returned 2.4% for the quarter.

Average Annual Returns

As of September 30, 1995

THIRD QUARTER	1.7%
ONE YEAR	13.5%
THREE YEAR	5.8%
FIVE YEAR	8.8%
TEN YEAR	8.6%

Periods over one year are annualized

U.S. TREASURY SECURITIES FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	1.7%
ONE YEAR	11.8%
THREE YEAR	4.8%
SINCE INCEPTION	6.3%

Periods over one year are annualized
Inception date 7/92

The U.S. Treasury Securities Fund returned 1.7% in the third quarter, matching the Merrill Lynch 5-7 Year Treasury Index. For the year-to-date period through September 30, the fund has returned 12.7%.

Earlier this year, mortgage pass-through securities were approved for use in the fund up to a maximum of 35 percent. The fund's 31% exposure to the mortgage sector benefited performance as this sector was one of the best performers for the quarter. During the third quarter, the Lehman Mortgage Index returned 2.1%, as compared with a return of 2.0% for the Lehman Aggregate Index.

CASH MANAGEMENT FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	1.2%
ONE YEAR	7.1%
THREE YEAR	4.0%
FIVE YEAR	5.6%
SINCE INCEPTION	6.2%

Periods over one year are annualized
Inception date 2/89

The Cash Management Fund returned 1.2% for the third quarter as the strategy of lengthening the average maturity of the fund continued to be successful. During the quarter, the average maturity was increased from 691 days to 735 days in anticipation of a slowing economy, moderate inflation, and a possible Fed cut in interest rates.

The year-to-date return for the fund is 6.3%. This compares with the unannualized return of 4.9% for the Donoghue Money Market Mutual Funds. The strategy of lengthening has continued to be successful as the yields on one- and three-year Treasury securities have declined since the beginning of the year by 149 basis points and 187 basis points, respectively.

457 PLUS FUND

Average Annual Returns
As of September 30, 1995

THIRD QUARTER	6.35%
ONE YEAR	6.39%
THREE YEAR	6.61%
SINCE INCEPTION	7.10%

All periods are annualized
Inception date 1/91

The yield on the 457 PLUS Fund declined to 6.35% during the third quarter. The decline was due primarily to investments made at lower rates, as interest rates have continued to decline since the beginning of the year. Additionally, the maturities of certain investments that were made when rates were higher contributed to the decline. Even with the decline, PLUS Fund yields remain above comparable market yields. For example, yields on money market securities such as certificates of deposit and U.S. Treasury bills are under 5.5%. U.S. Treasury note yields of maturities comparable to the PLUS Fund, approximately four years, closed near 5.9% at the end of the third quarter. Credit quality of the fund remains high at Moody's Aa.

GUARANTEED FUND

The Guaranteed Fund balance as of September 30 is $142.8 million. The Guaranteed Fund receives no contributions or transfers from other funds. As of September 30, the composition of the fund was 25 percent invested with The Travelers, 65 percent with Prudential, and 10 percent with Principal Mutual.

457 Guaranteed Fund Interest Rate History

DEPOSIT PERIOD	RATE	NEXT MATURITY	FINAL MATURITY	DEPOSIT PERIOD	RATE	NEXT MATURITY	FINAL MATURITY
9/01/87 to 11/30/87	8.10%	11/30/95	11/30/95	10/01/90 to 12/31/90	8.15%	12/31/96	12/31/96
7/01/90 to 9/30/90	8.25%	11/01/95	11/01/95				

On January 1, 1991, the Guaranteed Fund was closed to new contributions. Contracts in the Fund will remain in place until final maturity. Proceeds maturing in the Guaranteed Fund will be invested in the PLUS Fund unless contrary instructions are received. See the section, "The Guaranteed Fund - Procedures on Maturity of GICs", in *Making Sound Investment Decisions: A Retirement Investment Guide.*

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